

August 3, 2009

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. R-1364 – The Credit CARD Act of 2009

Dear Ms. Johnson,

I am writing you today to share with you the concerns I have with Piedmont Hospital Federal Credit Union's ability to comply with certain aspects of The Credit CARD Act of 2009 (CARD Act). As a small credit union, we do not offer credit cards, however; I would like to share my support for the original intent of the CARD Act, which was to reign in unscrupulous credit card lenders that engage in abusive and predatory practices.

While we support the original scope of the CARD Act, one particular component has led to a tremendous burden on our credit union. Under the Act, creditors must adopt reasonable policies and procedures to ensure that periodic statements for any open-end consumer credit account are mailed or delivered at least 21 days before the payment is due in order to be able to charge a late fee, or to otherwise consider the payment late. This 21-day requirement will apply to all open-end consumer credit. Unlike banks, credit unions usually offer open end credit to our members.

The problem is that credit unions differ from other financial institutions in that they often provide their members with consolidated statements that combine information about all savings, checking, and loan accounts that the member has with the credit union. Also, for the financial benefit of our members and the security of our lending, our credit union allows members to choose biweekly payments to coincide with the payroll dates of our SEG. We are sponsored by Piedmont Healthcare and that group makes up our SEG. One of the reasons we are able to offer the open end credit is because of the security of receiving the payments through payroll deduction. All of this will need to be changed in order to comply with these new provisions.

In particular, at Piedmont Hospital Federal Credit Union, a \$24 million institution, this change would require the modification of over 2,000 loans, impacting several of our members.

We are firm in our belief that this change will have quite the opposite effect of the original intent. In particular:

Negative Impact on Consumers

- There is the possibility that we will have to re-evaluate our current grace period on open end loans. Currently, we include a 15 day grace periods in our loan processes before considering a payment as late. Though most credit unions will probably not want to shorten the grace period, depending on how the data processing system works, credit

unions may not have a choice because that grace period would “flow over” to the next due date.

- It is expected that the amounts charged for late-payment fees could increase, as fewer late payments are expected in the short term, as well as having an increase in costs due to having money outstanding for which no interest is being charged.
- One potential solution is to rewrite existing loans. However, this will inconvenience members who do not understand why their existing loan agreements have to be changed.

#### Negative Impact on Credit Unions

- Are credit unions being asked to abrogate existing legal contracts?
- We have received word from our current data processing system that the date for the necessary changes to our system is undetermined at this time. They currently cannot support multiple statement dates, dues dates, payment dates, etc. and will have to be reprogrammed. This will lead to increased expenses, all of which will ultimately be borne by the consumer.
- Increased postage expenses for monthly statements... which will be passed on to the consumer.
- Multiple statements sent to the same member... likely leading confusion on behalf of the member.
- Possible conversion to all closed-end lending processes. This is potentially viable solution, but member convenience is impacted... leading to fewer loans at credit unions.
- Refinancing of existing open-end loans. Again, many members will not wish to change their existing loan terms. Requalification of members might be necessary.
- Change existing due dates. This is a manual, very time-consuming, process that would have to be agreed to by members... many of which will not understand why a change is necessary.

I would like to thank the Federal Reserve for allowing me to share the concerns of complying with this provision of the CARD Act. I would also ask that the Agency consider the implications on consumers and allow for, at a minimum, an extension of the effective date of the regulation.

Sincerely,

Cindy Owens

President / CEO

Piedmont Hospital Federal Credit Union